



WEST BASIN MUNICIPAL WATER DISTRICT
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AGENDA NO. 6

SEPTEMBER 10, 2010 – Water Resources
Little (Chair), Gray
SEPTEMBER 27, 2010 – Board Meeting
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INFORMATION CALENDAR

METROPOLITAN WATER DISTRICT ACTIVITIES REPORT

SUMMARY:

This report on Metropolitan Water District (MWD) issues is intended to brief the Board on activities and issues relevant to West Basin Municipal Water District (West Basin) and its customer agencies. The first section, "On-Going Issues," is a status update on current studies, reports, and/or policy work groups that staff is involved with. The second section, "Current Month's Issues," is a report on noteworthy items that are being covered at the current month's MWD Board meeting. The last section, "Upcoming Issues," is a preview of forthcoming issues important to West Basin. This format is intended to keep the Board informed about current and future items at MWD in order to provide direction to staff and its MWD representatives in a timely manner, if required.

ON-GOING ISSUES

Water Supply Update and Allocation Plan

Background: The Water Supply Allocation Plan (WSAP) policy was adopted by the MWD Board in February 2008. In April 2009, the Board took action to declare a regional shortage and implement the Water Supply Allocation Plan at a Regional Shortage Level 2 for Fiscal Year (FY) 2009-10. Reductions in retail demands in the MWD service area exceeded expectations over the course of the first allocation period. The Board voted again in April 2010 to continue the Stage 2 allocation for another year, effective July 1, 2010.

Update: MWD's WSAP remains in effect for the current fiscal year at Stage 2, although MWD is projecting that 300,000 to 500,000 acre-feet and potentially more will be placed in regional storage accounts including Diamond Valley Lake. In August, the MWD Board approved several changes to the WSAP, effecting the current allocation period (FY 2010-11). The changes result in a net increase in imported water allocation to West Basin, and a separate allocation for seawater barrier demands.

Integrated Resources Plan (IRP) Update

Background: The original Integrated Resources Plan (IRP) was developed in 1994 and has served as a blueprint for long-term water resource planning for MWD and its member agencies. The 1994 Plan was updated but not re-evaluated in 2003. The 2009-10 IRP, which will not be completed until Fall

2010, will be a new plan that addresses a set of challenges to imported water sources and other uncertainties not present in 1994. The 2010 Update is scheduled for Board consideration for approval in October.

Update: A second round of Stakeholder Forums were conducted in August with roughly 320 people attending the four meetings. Comments from each forum were organized by topic and presented to the IRP Steering Committee at its August 17 meeting. Directors from San Diego referred to comments made at the San Diego stakeholder forum and requested that the 2010 IRP Update process be extended to further evaluate the IRP, particularly the cost and rate implications. The rest of the IRP Steering Committee expressed a desire to stay on schedule. The next milestone in the IRP process will be a Board Workshop dedicated to this issue on September 14.

San Diego County Water Authority Lawsuit

Background: In July, the Water Authority filed suit against MWD, alleging that MWD's rate structure violates California law by over-charging certain customer classes and under-charging others. The Water Authority believes that MWD's State Water Project costs that are currently classified as transportation and recovered through the System Access Rate, should instead be classified as supply and recovered through the Supply Rates. The Water Authority also believes that demand management costs such as local project incentives and conservation rebates that are currently recovered through the Water Stewardship Rate should instead be classified as supply and recovered through the Supply Rates. The Water Authority stands to benefit financially, if the aforementioned costs are recovered through the Supply Rates, since they avoid paying the Supply Rates for every acre-foot of water they acquire from farmers and transport to San Diego through MWD's distribution system. Since MWD must meet its fixed financial obligations, the other member agencies including West Basin would collectively pay more if the Water Authority pays less.

Update: In closed session, the MWD Board voted to initiate termination proceedings for conservation and Local Resources Program funding agreements between MWD and the Water Authority, pursuant to "Rate Structure Integrity" provisions in the agreement language. The agreement provisions were originally incorporated into incentive funding agreements to discourage member agencies from receiving funding assistance made possible by the rate structure, and simultaneously legally challenging the rate structure. The Board would have to vote again to actually terminate the agreements with the Water Authority.

Opt-in/opt-out Approach for MWD's Conservation Program

Background: MWD staff was directed to evaluate an opt-in/opt-out approach to participation in MWD's regional conservation program. Under such an approach, member agencies would be able to decline participation in certain conservation offerings, or the program as a whole, and receive a discounted Water Stewardship Rate – essentially keeping their conservation funding and pledging to achieve a certain water-use efficiency standard so that regional reliability is maintained.

Update: In an informational report to the Water Planning & Stewardship Committee in August, staff concluded that fundamentally, an opt-out structure runs counter to MWD's regional approach to water management and recommended against such a structure. The Committee voted to take

action on the information item and support staff's recommendation that an opt-out approach to the regional conservation program not be pursued.

CURRENT MONTH'S ISSUES

The following key items will be heard at the September Committee and Board meetings:

- Board workshop on 2010 IRP Update

UPCOMING ISSUES

The following key items have been identified as upcoming issues at MWD's Committee and Board meetings:

- Adoption of 2010 IRP Update
- Approval of Binational Water Management Proposal
- Review and consider action on Long-Term Conservation Program

STRATEGIC BUSINESS PLAN IMPLEMENTATION:

Goal 1: Water Reliability – West Basin is committed to innovative planning and investments to provide water supply reliability and drought protection.

Goal 5: Environment – West Basin is committed to sustainable and environmentally-friendly business practices.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on September 16, 2010 and agendaized to the September 27, 2010 Board meeting under Metropolitan Water District Activities update.

RECOMMENDED MOTION:

This is for information only.

LIST OF EXHIBITS:

None.